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SUBJ: THIRD RECCA SOLDIFIES GAINS, CONFIRMS SUPPORT FOR REGIONAL COOPERATION

11. (SBU) Summary: At the third Regional Economic Cooperation Conference on Afghanistan (RECCA) May 13-14 in Islamabad, 39 countries and international organizations discussed expansion of regional cooperation and coordination in support of Afghanistan. Working groups on health, labor, energy and infrastructure, mining, and transit trade were for the most part successful in focusing discussion on concrete projects and activities. The Conference served as venue for the initial negotiations between Afghanistan and Pakistan on updating their Transit Trade Agreement, with many Conference participants offering assistance, if needed. It also served to demonstrate progress on the reach of railheads into Afghanistan and to reconfirm commitments and progress on electricity cooperation centered on Afghanistan. A parallel business event provided targeted networking opportunities for Afghan and Pakistani (and a smattering of foreign) companies. Simply holding the event successfully after a more than two year delay, was an achievement. Turkey volunteered to host the next RECCA. End Summary.

Security and Atmospheric

12. (U) Delegations from 39 countries and international organizations

met in Islamabad May 13-14 for the third Regional Economic Cooperation Conference on Afghanistan (RECCA). The U.S. delegation was led by Principal DAS for South and Central Asia Pat Moon. Prime Minister Yousef Raza Gilani represented Pakistan, while Afghan President Hamid Karzai led a large, ministerial-level delegation from Kabul.

13. (SBU) Logistics became chaotic when the opening session was moved for security reasons from Jinnah Conference Center to the Prime Minister's Secretariat just minutes before the conference was due to open. Adding to the morning's confusion, Karzai returned to Kabul soon after the opening session, taking most of the Afghan ministers with him and leaving a more junior delegation of one Minister and a group of senior officials and exasperating the Pakistanis. Despite these glitches, however, the overall tenor of the gathering was positive.

14. (SBU) Karzai, Gilani other ministers and heads of delegation all called for increased cooperation as a main contributor to stability and growth in region. Although this was not a pledging event, most delegations could not resist detailing their assistance to date to Afghanistan. U.S., EU, and United Nations Assistance Mission to Afghanistan (UNAMA) efforts to develop a more specific agenda contributed to slightly more concrete outcomes than in the two preceding RECCAs, in New Delhi and Kabul. Working groups on health, labor, energy and infrastructure, mining, and transit trade were for the most part successful in focusing discussion on specific projects

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and activities. A parallel business event provided targeted networking opportunities for Afghan and Pakistani (and a smattering of local reps of foreign) companies.

15. (SBU) Delegations welcomed Turkey's offer to host the next RECCA and an EU offer to support a center in the Afghan Ministry of Foreign Affairs to follow up on regional cooperation. The final declaration also noted several other tangible outcomes, including: the Asian Development Bank (ADB)'s commitment to extend the railroad line from Hayraton, Afghanistan, to Mazar-e-Sharif and the European Commission's willingness to fund a broader Afghan Railroad pre-feasibility study; a shared desire to accelerate work on the electricity corridor (CASA 1000 from Kyrgyzstan and Tajikistan to Afghanistan and Pakistan) and the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline; establishment of a customs academy in Kabul; and support for the establishment of joint Chambers of Commerce.

Working Groups

16. (SBU) On health, working group members agreed on four areas of cooperation: short-term transfers of patients to countries such as Turkey for urgent medical attention; using telemedicine technology to treat patients in remote areas; cross-border facilitation of health professionals, such as psychiatrists, gynecologists, and anesthesiologists; and increased training for professionals in the health sector. The Canadians stressed the importance of a more well-coordinated campaign to eradicate polio; all parties agreed that international donors should ensure funding sufficient to complete cross-border vaccinations (\$135 million for Pakistan, \$25 million in Afghanistan).

17. (U) The labor working group focused on an ILO/Afghanistan report that called for (among other things) international efforts to upgrade vocational training facilities and resources. The working group also recommended that the ILO assist with a labor survey in Afghanistan and among Afghan refugees in Iran and Pakistan to assess the types of skilled labor that exist among potential returnees. Finally, the working group took note of the need to reduce reliance on informal mechanisms to send remittances, calling for a "regulated and incentive-based" initiative to encourage Afghans abroad to use it. Participants acknowledged that Afghanistan's capacity building needs are much greater than migrant labor and returning refugees can meet, and suggested the export of unskilled labor from Afghanistan as a poverty alleviation strategy.

18. (U) The Mining Working Group focused on human capacity and legal

framework issues. Representatives from the World Bank, and the

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Italian, French, and Turkish Embassies joined USDEL in urging a review of regulations implementing Afghanistan's mining law to ensure that private sector views be incorporated into the draft. The Afghan Deputy Minister of Mines maintained that the law could not be changed and instead stressed Afghanistan's desire for human capacity development projects. USDEL reiterated that without a commercially-viable mining sector, particularly marble, such projects would do nothing to increase responsible exploitation of Afghanistan's mineral wealth.

¶9. (U) The working group recommended that the Afghanistan Ministry of Mines consult with all relevant stakeholders in framing mining regulations based on the Mining Law to facilitate investment in the mineral sector. Further, training programs to develop professional manpower in geo-scientific disciplines in Afghanistan should be developed and the technical capacity of Gems and Gemology Centre in Peshawar should be enhanced in accordance with the goals of the Turkey-Afghanistan-Pakistan "Ankara Process." Also within the Ankara Process, feasibility studies in the fields of coal mining, marble extraction and finishing will be conducted and a "Tripartite Project Unit" will be established by the Turkish International Cooperation and Development Agency (TIKA) to include development experts from three countries. Finally, Italy will consider supporting the marble and granite sectors in Afghanistan in coordination with similar assistance being provided to Pakistan.

¶10. (SBU) The Energy and Infrastructure group reviewed plans for energy development between Afghanistan and its neighbors, Afghanistan's desire to establish a railroad network, and regional water management. On railroads, Iran noted the progress on extending its Railroad to Herat. ADB discussed its commitment to complete feasibility studies on a rail connection from Herat to Hayraton (Uzbek border) and Ishkan Bandar (on the Tajik border). The Bank representative confirmed it would fast track funding to construct the extension of the Uzbek rail line in Afghanistan beyond Hayraton to Mazar-e-Sharif, and hoped for completion in 14 months. The European Commission indicated its willingness to complete a pre-feasibility study for Afghan rail, possibly following the ring road. One focus of such a study would be the Afghanistan-Pakistan priorities of extending their rail head from Chaman to Kandahar and Torkham to Jalalabad. The Afghans clarified that their commitment with Iran and Tajikistan to a rail interconnection was "only political," adding that, while the Chinese were obliged to build a railroad to carry the output from its Aynak Copper concession, there was as yet no specific project.

¶11. (SBU) On energy, Afghanistan presented progress on its Northeast power system, noting that the first electricity imports to Kabul

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from Uzbekistan that began in January 2009 had changed everyone's perspectives on electricity. These imports would soon increase significantly, now that the entire transmission line to Kabul is becoming operational. The Afghans reconfirmed their commitment to the larger regional project for electricity trade from Central Asia to Afghanistan and Pakistan (CASA), consistent with the joint statement agreed with the World Bank in early May in Washington. Pakistan also reiterated its interest in moving forward to purchase electricity from this project and Tajikistan confirmed its continuing commitment. The fourth project partner, Kyrgyzstan, did not participate in the working group. ADB expressed concern that the electricity project would not be viable until new power generation was developed in Central Asia, and that in their dialogue on funding priorities the partner countries were not making this project a priority. The Afghans agreed that there was a political commitment but had many claims on any available funding, adding that bringing other energy suppliers into the mix could help. Despite Uzbek and ADB reservations, the working group recommended accelerating progress on this project.

¶12. (SBU) The Afghans and the ADB also briefed on the status of the

Turkmenistan-Afghanistan-Pakistan-India or TAPI pipeline, with the ADB noting that it had not seen "any progress": although there are numerous bilateral contacts, the partners have not completed the set of proposed legal agreements to frame the project. The ADB reported that Turkmenistan, whose delegation did not attend the working group session, has recently completed a required audit of reserves by Gaffney Kline, although audit results have not yet been distributed.

Pakistan added that Turkmenistan indicated it cannot move ahead because there has been no resolution of questions related to security in Afghanistan and Pakistan along the projected route. Furthermore, Pakistan noted that the project cost is now estimated to be \$8 billion and, particularly in this economic climate, it will be difficult to attract either private sector partners or sufficient debt financing.

¶13. (SBU) In a brief review of water management, Pakistan pressed Afghanistan to enter into discussion with its neighbors on its trans-boundary water rights. The Afghans reiterated their lack of both the necessary data on water resources and the expertise to engage on trans-boundary water issues. The Afghan representative said that Afghanistan is now actively talking to a select group of donors on developing the necessary capacity.

¶14. (SBU) Uzbekistan indicated to the working group that as a matter of law it supported the rights of all riparian states to give priority to the ecological and social impact of any hydro resource development on trans-boundary waters, and suggested particular

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caution in moving ahead with any project of that type (Note: the Uzbeks pushed for similar language to be included in the meeting final declaration. A more general clause noting rights in accordance with international law was eventually inserted. End Note). The Tajik delegation spoke on the margins to SCA PDAS Pat Moon, stressing Tajikistan's desire to pursue the CASA project and requesting continued USG support for the electricity corridor project. Tajikistan also sought U.S. support for their right to proceed with new hydro generation plants in the face of Uzbek claims and pressure.

¶15. (SBU) The transit trade working group resulted in positive steps toward greater regional integration despite some heated discussions between the Afghan and Pakistan delegations. Both sides reiterated the parties' commitment to renegotiate the Afghanistan-Pakistan Transit Trade Agreement by December 31, 2009, and to resolve issues bilaterally in the interim. The Pakistani government agreed to include language on regional promotion of exports for Afghan fresh fruit and vegetables. The exchanges were at times confrontational, with the Afghans raising familiar complaints about non-tariff barriers blocking trade and the Pakistanis raising familiar complaints about sanitary and phyto-sanitary issues. The working group agreed to recommend arriving at a consensus draft of the Bilateral Customs Agreement between Afghanistan and Pakistan using the World Customs Organization template by June 30, and to sign the agreement itself not later than March 2010 (as previously agreed under the Canadian-led "Dubai Process"). Participants also recommended that Afghanistan harmonize border operating times with its neighbors, in particular with Pakistan.

Business Event

¶16. (SBU) The RECCA Business Conference was a busy networking event for Afghan and Pakistani businessmen, with activity focused in five groups: agriculture, infrastructure, industry and manufacturing, services and banking, and trade. The group recommended that governments and international donors address the weak infrastructure in both Afghanistan and Pakistan and applauded U.S. legislation to establish Reconstruction Opportunity Zones (ROZs), calling them "catalysts for regional development" and a means to improve regional law and order. Participants highlighted the need for financing at concessional rates to support ROZ investment activity, and some noted concerns that local industry should be protected in the face of expanded transit trade.

¶17. (SBU) Comment: The third RECCA was noteworthy in no small part

because it happened at all. Frequent delays over the past two

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years, including an eleventh-hour postponement from the most recently planned April 2009 dates, and the haphazard planning for the business meeting left participants skeptical that the event would come together. The UN and other donors (including the U.S.) playing a more active role in the run-up certainly helped to focus both the Afghan and Pakistani governments on concrete deliverables vice headline-grabbing promises. The timing of the Islamabad RECCA allowed us to consolidate with a broader international audience some progress made at the U.S.-hosted trilateral summit in Washington and to follow up on those commitments with specific action. It also provided a venue for others, notably the European Commission, to demonstrate their commitment to advancing tangible regional cooperation in support of Afghanistan.

PATTERSON